

December 11, 2001

TO: Senator Sid Snyder, Chair  
Senator Dan McDonald  
Representative Jack Cairnes  
Representative Jeff Morris  
Fred Kiga, Director, Department of Revenue  
William Rice, Acting Director, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director  
Office of the Forecast Council

SUBJECT: DECEMBER 10, 2001 REVENUE COLLECTION REPORT

General Fund - State receipts were \$9.8 million above the estimate for the month based on the just completed November forecast (see Table 1). Most major revenue sources were pretty close to the estimate for the month. Property tax (state levy) receipts were \$8.0 million higher than expected, accounting for most of this month's higher than expected receipts. Revenue Act (retail sales, use, business and occupation and public utility taxes) taxes, were \$1.3 million below the estimate. Although receipts were a little short of the estimate for the month, Revenue Act growth rebounded nicely from an abysmal showing last month. The economy, however, continues to weaken. U.S. non-farm payrolls declined 331,000 in November. This was the fourth consecutive monthly decline. So far, both economic and revenue data appear to be on track with the November forecast.

Revenue Act collections this period (primarily October 2001 business activity) were up 0.4 percent from a year-ago (after adjusting for special factors). Although growth this month was a little less than expected (0.6 percent), it was much better than last month's 7.0 percent year-over-year decline and was positive for the first time in three months. The trend remains weak, however, with Revenue Act growth declining on average 1.0 percent over the last six months. With a rising U.S. unemployment rate and the expected loss of thousands of aerospace jobs in the state over the next year, the situation is unlikely to improve any time soon.

Preliminary data on excise tax payments in the November 11 – December 10 collection period indicate that year-over-year growth in tax payments was weak across-the-board. The wholesale trade sector reported a 7.8 percent drop in tax payment and construction sector reported a 6.3 percent decline. Even the services reported a small 0.5 percent decline, primarily due to a large drop in the hotel/motel sector. The retail trade sector was an exception due to strong auto sales. Preliminary data showed tax payments reported by the retail trade sector up about 7 percent from a year ago. Low interest rates allowed auto

manufactures to offer very favorable financing packages (in many cases zero percent financing) that resulted in strong auto sales in October. Tax payments from auto dealers were up nearly 20 percent from a year-ago. Excluding auto dealers, tax payments were up only about 2 percent in the retail trade sector and were below the year-ago period overall. While positive for this period, strong auto sales due to incentive financing packages are for the most part likely borrowing from sales in future months.

Other General Fund taxes collected by the Department of Revenue were \$10.9 million above expectations for the month of October. This is primarily due to more than expected property tax (state levy) receipts this month. Cigarette, liquor, estate and timber excise tax payments also were a little more than expected for the month. Only real estate excise payments were less than expected in November. The higher than expected property tax payments are believed to be mostly due to a change in the monthly payment pattern and are likely to be offset by weaker than expected payments in future months. Real estate excise activity weakened last month with October closings (reflecting real estate excise tax payments to the state in November) 5.9 percent below the year-ago level. This follows last month's 3.2 percent decline. Most of the decline was in King County with taxable real estate excise activity 23.3 percent below the year ago level in October. Excluding King County, taxable real estate activity increased 8.2 percent last month.

The Department of Licensing General Fund collections were \$126,000 more than expected for the month

The attached table 1 provides a comparison of collections with estimates for the current midmonth period, November 11 - December 10, and cumulatively since our last forecast. The cumulative variance since the last forecast shown in Table 1 is virtually the same as the variance for the current month because the monthly estimates based on the November forecast reflect actual collections through November 10, 2001. The difference in the month and the cumulative-to-date reflect historical data revisions. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

**TABLE 1**  
**Revenue Collection Report**  
**December 10, 2001 Collections Compared to the November 2001 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
November 11 - December 10, 2001				
Department of Revenue-Total	\$1,029,648	\$1,039,275	\$9,627	0.9%
Revenue Act** (1)	616,658	615,381	(1,277)	-0.2%
Non-Revenue Act(2)	412,990	423,894	10,904	2.6%
Liquor Sales/Liter	7,037	7,375	338	4.8%
Cigarette	5,601	6,487	886	15.8%
Property (State School Levy)- net after transfer	330,727	338,703	7,976	2.4%
Property tax collections	330,727	338,703	7,976	2.4%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,565	7,169	604	9.2%
Real Estate Excise	32,606	31,794	(812)	-2.5%
Timber (state share)	2,787	3,134	348	12.5%
Other	27,665	29,231	1,566	5.7%
Department of Licensing (2)	534	660	126	23.5%
Total General Fund-State***	\$1,030,182	\$1,039,934	\$9,753	0.9%
Cumulative Variance Since the November Forecast (November 11 - December 10, 2001)3				
Department of Revenue-Total	\$1,029,507	\$1,039,275	9,768	0.9%
Revenue Act** (3)	616,658	615,381	(1,277)	-0.2%
Non-Revenue Act(4)	412,849	423,894	11,045	2.7%
Liquor Sales/Liter	6,595	7,375	780	11.8%
Cigarette	5,601	6,487	886	15.8%
Property (State School Levy)-net after transfer	330,667	338,703	8,036	2.4%
Property tax collections	330,667	338,703	8,036	2.4%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,565	7,169	604	9.2%
Real Estate Excise	32,606	31,794	(812)	-2.5%
Timber (state share)	2,787	3,134	348	NA
Other	28,027	29,231	1,204	4.3%
Department of Licensing (4)	534	660	126	23.5%
				NA
Total General Fund-State***	\$1,030,041	\$1,039,934	\$9,893	1.0%

1 Collections November 11 - December 10, 2001. Collections primarily reflect October 2001 activity of monthly taxpayers.

2 November 1-30, 2001 collections.

3 Cumulative collections, estimates and variance since the November 2001 forecast; (November 11-December 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the November 2001 forecast;(November 2001) and revisions to history.)

\* Based on the November 2001 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing), about 97% of total General Fund-State revenue.

**TABLE 2**  
**November 10, 2001 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
<b>October 11 - November 10, 2001</b>				
Department of Revenue-Total	\$846,712	\$846,712	(\$0)	-0.0%
Revenue Act (1)	747,024	747,024	0	0.0%
Non-Revenue Act(2)	99,688	99,688	(0)	-0.0%
Liquor Sales/Liter	6,787	6,787	(0)	-0.0%
Cigarette	5,508	5,508	(0)	-0.0%
Property (State School Levy)	30,872	30,872	(0)	-0.0%
Property tax collections	30,872	30,872	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	ERR
Estate	8,365	8,365	(0)	-0.0%
Real Estate Excise	31,973	31,973	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	16,183	16,183	0	0.0%
Department of Licensing (2)	715	715	(0)	-0.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$847,426	\$847,426	\$0	0.0%
<b>Cumulative Receipts: September 11 - November 10, 2001 &amp; Revisions to History</b>				
Department of Revenue-Total	1,560,179	\$1,560,179	(\$0)	-0.0%
Revenue Act (3)	1,390,584	1,390,584	(0)	-0.0%
Non-Revenue Act(4)	169,595	169,595	0	0.0%
Liquor Sales/Liter	14,805	14,805	0	0.0%
Cigarette	11,170	11,170	(0)	-0.0%
Property (State School Levy)-net after transfer	39,396	39,396	(0)	-0.0%
Property tax collections	39,396	39,396	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	12,531	12,531	0	0.0%
Real Estate Excise	72,930	72,930	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	18,764	18,764	(0)	-0.0%
Department of Licensing (4)	1,455	1,455	0	0.0%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,561,634	\$1,561,634	\$0	0.0%

P-Preliminary. Reported in the November 10, 2001 collection report.

R Revised data.

1 Collections October 11 - November 10, 2001. Collections primarily reflect September 2001 business activity of monthly taxpayers and July-September activity of quarterly filers.

2 October 1-31, 2001 collections.

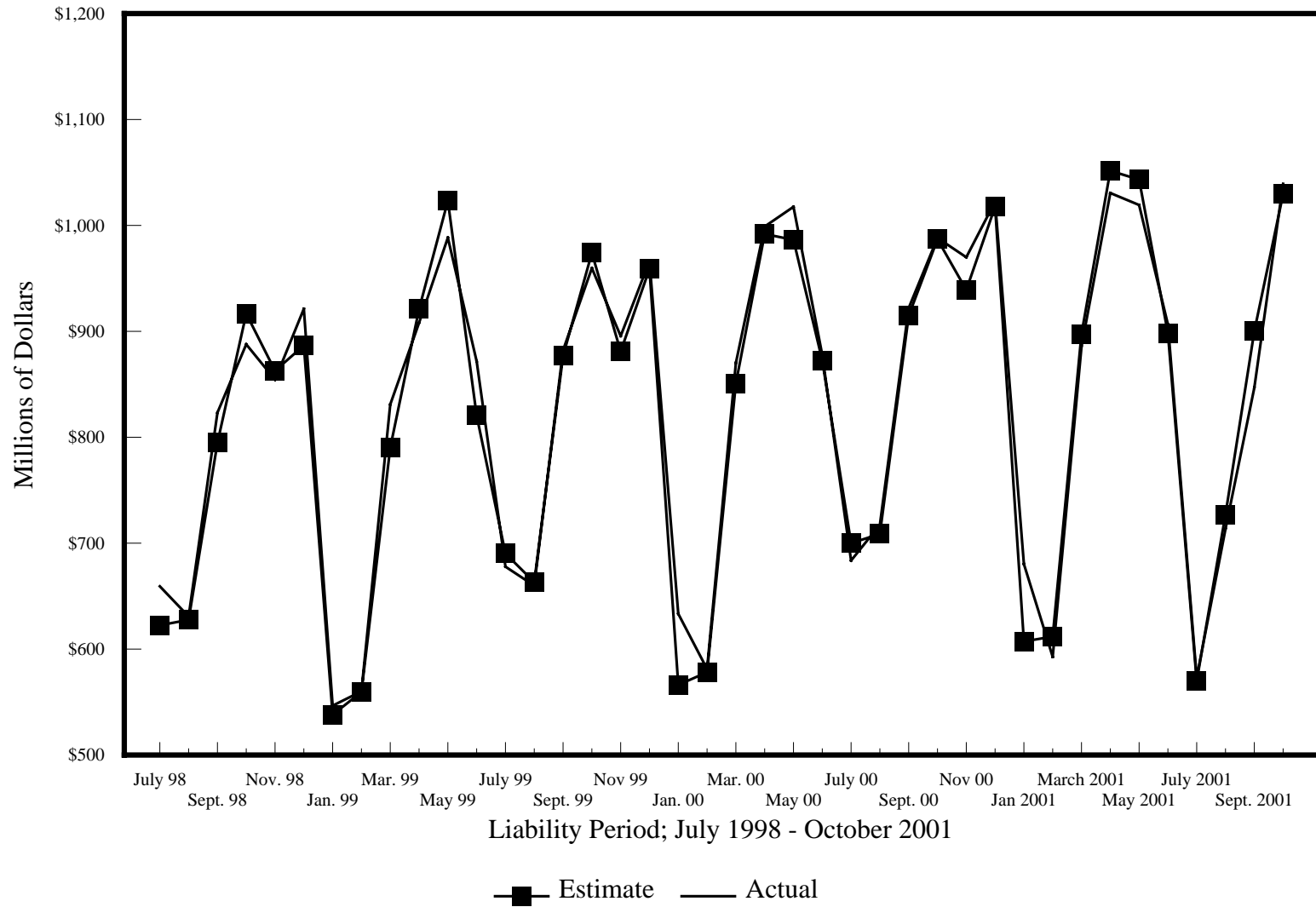
3 Cumulative variance for since the September 2001 forecast: September 11 - November 10, 2001 & revisions to history.

4 Cumulative variance: since the September 2001 forecast (September & October 2001 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

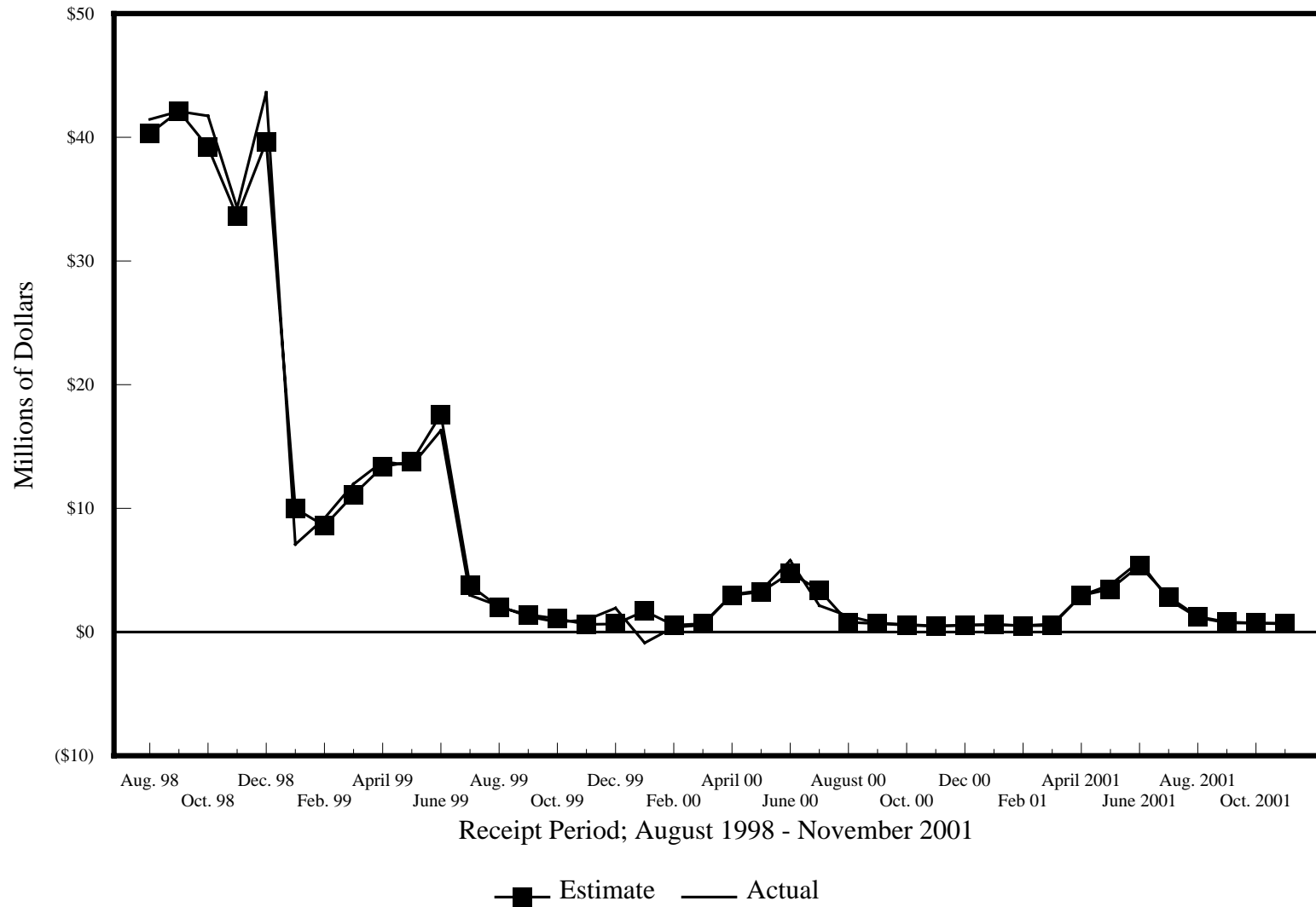
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to October 2001



# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to November 2001



# Revenue Act Net Collections

Year-over-Year Percent Change

